#

# Terms of Reference – Audit & Risk Committee

# (June 2022)

*‘The Audit Committee supports the Accounting Officer in carrying out their formal accountability responsibilities. The Committee offers objective advice and seeks to ensure that the most efficient, effective, and economic risk control and governance processes are in place. The ARC also acts on behalf of the Board to provide them with assurance on these issues.*

**1. Membership**

1.1 The Audit and Risk Committee (ARC) will have no fewer than 3 members of whom at least 2 will be members of the Commission’s board.

1.2 The chair of the ARC will be appointed by the Commission from any of its members except the chair of the Commission.

1.3 All ARC members will be appointed to the ARC by the Commission. At least one ARC member must be suitably financially qualified and have recent and relevant financial experience, and at least one member will be an independent external member appointed through open competition (this can be the same person).

1.4 All appointments shall be made with due regard to the need to understand the Commission’s objectives, structure and culture, and other legislative and accountability contexts within which it operates. ARC members will collectively possess knowledge and skills in accounting, risk management, audit, financial governance and technical issues relevant to the business and strategic management of the Commission.

1.5 The term of service for ARC members will be 3 years, extendable to a maximum of a further 3 years at the discretion of the Commission. ARC members who are members of the Commission may also stand down with the consent of the board and their service will discontinue if they no longer serve as Commissioners.

The independent member can stand down after a notice period of one month

1.6 The ARC shall be entitled to co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience, with approval of the board.

1.7 Members should declare conflicts of interest not previously notified.

**2. Secretary**

2.1 The Business Team’s Finance Lead will act as secretary to the ARC with responsibility for coordinating its business and servicing its meetings.

**3. Quorum**

3.1 Two members of the Audit & Risk Committee will constitute a quorum. Members attending by phone or videoconference are present for the purpose of the quorum.

**4. Frequency of meetings**

4.1 ARC will meet at least 4 times a year at appropriate times in the reporting and audit cycle, in advance of Commission meetings so that it may receive ARC’s report and recommendations from each meeting.

**5. Attendance at ARC meetings**

5.1 ARC meetings will normally be attended by:

* the chief executive (accounting officer)
* the director of corporate services
* the finance lead (secretary)
* the risk manager
* the internal auditor
* the NAO director responsible for external audit and representatives of the NAO as appropriate

5.2 Members of ARC may ask any other officials of the Commission to attend to assist with discussions on any particular matter.

5.3 All meetings will be chaired by the chair of ARC. In the absence of the chair the remaining members present shall elect one of their number to chair the meeting.

5.4 ARC may ask any or all of those who normally attend but who are not members to withdraw from the discussion of particular matters to facilitate open and frank discussion.

**6. Notice of meetings**

6.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed and any relevant papers shall be sent to ARC members and all other persons required to attend, no later than 5 working days before the date of the meeting.

6.2 In addition to its scheduled meetings, further meetings of ARC may be called by the secretary at the request of any of its members or at the request of the external or internal auditor.

**7. Minutes of meetings**

7.1 The secretary will arrange for a record of the proceedings and decisions of each meeting to be made, including the names of those present and in attendance and any declarations of conflict of interest.

7.2 Draft minutes of the meetings shall be circulated within 10 working days of the meeting taking place to the chair of ARC and then to all members and attendees of ARC.

7.3 The minutes of the meeting shall be approved by ARC at its subsequent meeting.

**8. Duties and responsibilities**

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| **8.1 Audit & Risk Committee** |
| 8.1.1 ARC will agree an annual programme of activity taking into account the Commission’s operating environment, resources and risks. | Feb and each meeting |
| 8.1.2 The chair of ARC will provide an annual report to the board, timed to support the preparation of the annual governance statement, summarising its conclusions from the work it has done during the year. | May/June |
| 8.1.3 ARC shall arrange for periodic reviews of its own performance and, at least every 2 years, review its terms of reference to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the commission for approval. | Oct each 2 years |
| 8.1.4 The Chair of ARC shall verify the expenses claims of the Chair of the Commission and the Chief Executive each quarter and this will be reported in the minutes of subsequent ARC meetings. | Each meeting |
| **8.2 Annual Reports & Accounts & External Audit** |
| 8.2.1 Meet regularly with the external auditor, at least once a year, without management being present, to discuss the auditor’s remit and any issues arising from the audit. | This can be scheduled annually in May before the ARA is discussed |
| 8.2.2 Review the findings of the audit with the external auditors. This shall include but not be limited to a discussion of any major issues that arose during the audit; any accounting or audit judgements; levels of errors identified during the audit; the effectiveness of the audit. | In May/June |
| 8.2.3 Review any representation letter(s) requested by the external auditor before they are signed by management | In May/June |
| 8.2.4 Review the management letter and the adequacy of management’s response to the auditor’s findings and recommendations. | In May/June |
| 8.2.5 Satisfy itself that the system of internal control has operated effectively throughout the reporting period. | Oct |
| 8.2.6 Review and recommend to the board the annual governance statement and any other statements to be included in the annual report concerning internal control and risk management. | June |
| 8.2.7 Consider the Commission’s risk register at each meeting of ARC and make recommendations to the Commission and the Accounting Officer regarding the Commission’s risk policy and risk management arrangements and activity. | Each Meeting |
| 8.2.8 Review the adequacy of governance arrangements. | Feb |
| **8.3 Commission Policies**  |
| 8.3.1 Review the operation of the Commission’s Information Management policies and make any recommendations for changes to the Commission. | As per Policy Review Schedule |
| 8.3.2 Review the operation of the Commission’s Governance policies and make any recommendations for changes to the Commission  | As per Policy Review Schedule |
| 8.3.3 Receive reports of any alleged instances of fraud, theft whistleblowing or bribery occurring amongst Commission staff, Commissioners, contractors or any other individuals acting on its behalf and regularly review the operation of relevant policies. | as necessary |
| 8.3.4 Review and assess the Commission’s health and safety policies and receive reports on any statutory breaches and how effective the operation of the policy has been. | as necessary |
| 8.3.5 Review and assess the Commission’s business continuity plans and receive reports on how effectively the plans have worked in particular incidents. | as necessary |
| **8.4 Internal Audit** |
| 8.4.1 Approve the tendering and appointment of the Commission’s internal auditor.  | as necessary |
| 8.4.2 Agree and approve the internal audit strategy and annual assurance work program, including subsequent revisions and monitor progress of recommendations (including advisory) raised against plan.  | Each meeting |
| 8.4.3 Consider the skills and adequacy of internal audit and assurance resources and ensure that they are sufficient to provide an appropriate level of assurance.  | Feb |
| 8.4.4 Agree performance measures for the delivery of internal audit and advisory audits and monitor performance against them. | Annually |
| 8.4.5 Receive and consider internal audit’s annual report and assurance opinion. | In May/June |
| **8.5 Business Activities identified for scrutiny** |
| 8.5.1 Provide reports to the Commission to assist its decision making as requested. | as necessary |
| 8.5.2 Consider the benefits of efficiency programs and major projects, reports (for example the periodic NAO VFM report) which detail the Commissions outputs against targets and commission work on value for money and efficiencies. | as necessary |
| 8.5.3 Review the performance management framework used to produce the Commission’s key performance indicators, as well as any other relevant indicators relating to high priority or risk activities as may be agreed on an ad hoc basis. | as necessary |
| 8.5.4 Support the Accounting Officer in providing scrutiny on efficiency and effectiveness in the use of public funds. | as necessary |
| **8.6 Reporting** |
| 8.6.1 The ARC chair will submit a copy of the minutes to the following Commission meeting. | Month after ARC meeting |
| 8.6.2 The chair will orally report on any significant matters to the Commission meeting immediately following the ARC meeting.  | After each ARC meeting |

**9. Rights**

9.1 ARC shall be entitled to:

* sufficient resources to carry out its duties, including access to the Commission’s business team resource
* appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members
* procure specialist ad-hoc advice at the expense of the Commission, subject to confirmation from the Commission that funds are available
* seek any information it requires in order to perform its duties from any employee of the Commission
* call any employee to be questioned at a meeting of ARC as and when required
* publish in the Commission’s annual report details of any issues that cannot be resolved between ARC and the Commission

9.2 The internal auditor and representative of external audit will have free and confidential access to the Chair of ARC.

**10. Other matters**

10.1 The Chair of ARC shall meet periodically with the Accounting Officer, Director of Corporate Services, Internal Auditor and External Audit representative outside of the formal ARC meetings when necessary.

10.2 All ARC members are expected to undertake an appropriate programme of engagement within the Commission and its activities to help them understand its objectives, business needs, priorities, and risks.